

## Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input checked="" type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name Antioch Township	County Wexford
Fiscal Year End 03/31/2007	Opinion Date December 28, 2007	Date Audit Report Submitted to State January 9, 2008	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).


YES NO

**Check each applicable box below.** (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☐ ☒ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☐ ☒ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

<b>We have enclosed the following:</b>	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>		
Other (Describe)	<input checked="" type="checkbox"/>	Letter of Significant Deficiencies	
Certified Public Accountant (Firm Name) Baird, Cotter and Bishop, P.C.		Telephone Number (231) 775-9789	
Street Address 134 West Harris Street		City Cadillac	State MI
		Zip 49601	
Authorizing CPA Signature 	Printed Name Steven C. Arends, C.P.A.		License Number 1101013211

**ANTIOCH TOWNSHIP, WEXFORD COUNTY**

**MESICK, MICHIGAN**

**MARCH 31, 2007**

***Baird, Cotter and Bishop, P.C.***

**CERTIFIED PUBLIC ACCOUNTANTS**

134 WEST HARRIS STREET CADILLAC, MICHIGAN 49601

PHONE: 231-775-9789 FAX: 231-775-9749

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ANTIOCH TOWNSHIP, WEXFORD COUNTY  
MESICK, MICHIGAN

MARCH 31, 2007

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# *Baird, Cotter and Bishop, P.C.*

## **CERTIFIED PUBLIC ACCOUNTANTS**

134 WEST HARRIS STREET CADILLAC, MICHIGAN 49601  
PHONE: 231-775-9789 FAX: 231-775-9749  
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December 28, 2007

### INDEPENDENT AUDITORS' REPORT

To the Township Board  
Antioch Township  
Wexford County  
Mesick, Michigan

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Antioch Township, Wexford County, Mesick, Michigan as of and for the year ended March 31, 2007, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Township's management. Our responsibility is to express opinions on these basic financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Antioch Township, Wexford County, Mesick, Michigan as of March 31, 2007, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis on pages iii through viii and budgetary comparison information on page 17 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Antioch Township, Wexford County, Mesick, Michigan's basic financial statements. The individual fund financial statements are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

BAIRD, COTTER AND BISHOP, P.C.

*Baird, Cotter & Bishop, P.C.*

ANTIOCH TOWNSHIP, WEXFORD COUNTY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR FISCAL YEAR ENDED MARCH 31, 2007

Antioch Township, a general law township located in Wexford County has implemented the provisions of Governmental Accounting Standards Board Statement 34 (GASB 34). The Management's Discussion and Analysis, a requirement of GASB 34, is intended to be the Antioch Township board's discussion and analysis of the financial results for the fiscal year ended March 31, 2007.

**Financial Highlights**

- ◆ The assets of the Township exceeded its liabilities at the close of the fiscal year by \$256,061. Of this amount, \$150,855 may be used to meet the township's ongoing obligations to citizens and creditors.
- ◆ As of the close of the current fiscal year, the Township's General Fund reported an ending fund balance of \$156,044. 93.74% is available for spending at the Township's discretion.
- ◆ The Township is not obligated under any long-term debt as of March 31, 2007.

**Overview of the Financial Statements**

This discussion and analysis is intended to serve as an introduction to the Township's basic financial statements. The Township's basic financial statements are comprised of three components. 1) government-wide financial statements, 2) fund financial statements and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

**Government-Wide Financial Statements** This report includes government-wide statements as required by GASB 34. The *government-wide financial statements* are designed to provide readers with a broad overview of the Township's finances, in a manner similar to a private-sector business. These statements are calculated using full accrual accounting and more closely represent those presented by business and industry. The entire Township's assets and liabilities, both short and long-term, are reported. As such, these statements include capital assets, net of related depreciation.

The *Statement of Net Assets* presents information on all of the Township's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Township is improving or deteriorating.

The *Statement of Activities* presents information showing how the Township's net assets changed during the fiscal year. All changes in net assets are reported when the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in the future fiscal periods.

Both of the government-wide financial statements distinguish functions of the Township's that are principally supported by taxes and intergovernmental revenues (governmental activities) from functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type

ANTIOCH TOWNSHIP, WEXFORD COUNTY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR FISCAL YEAR ENDED MARCH 31, 2007

activities). The governmental activities of the Township include general government and administration, public safety, public works, and other functions. The Township does not have any business-type activities.

**Fund Financial Statements**

The fund level statements are reported on a modified accrual basis in that only those assets that are “measurable” and “currently available” are reported. Liabilities are recognized to the extent they are normally expected to be paid with current financial resources.

***Governmental Funds*** – Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, the governmental fund financial statements focus on current sources and uses of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government’s near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government’s near-term financing decisions. Both the governmental funds balance sheet and the governmental fund statements of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

***Proprietary Funds*** – Proprietary funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The Township does not maintain any proprietary funds.

**Notes to the Financial Statements**

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

**Other Information**

In addition to the basic financial statements, this report further presents Required Supplementary Information (RSI) that explains and supports the information presented in the financial statements.

**Government-Wide Financial Analysis**

The Statement of Net Assets is the first statement in the Government-Wide Financial Statements section of this document. This statement is useful for providing an indicator of the Township’s financial position over time. The Net Assets of the Township are \$256,061 at March 31, 2007, meaning the Township’s assets were greater than its liabilities by this amount.

ANTIOCH TOWNSHIP, WEXFORD COUNTY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR FISCAL YEAR ENDED MARCH 31, 2007

**Government-Wide Financial Analysis**

**Antioch Township**  
**Net Assets as of March 31, 2007**

	<b><u>Governmental Activities</u></b>
<b>Assets</b>	
Current Assets	\$ 166,016
Non Current Assets	
Capital Assets	116,453
Less: Accumulated Depreciation	<u>(16,436)</u>
Total Non Current Assets	<u>100,017</u>
<b>Total Assets</b>	<b><u><u>\$ 266,033</u></u></b>
<b>Liabilities</b>	
Current Liabilities	<u>\$ 9,972</u>
<b>Net Assets</b>	
Invested in Capital Assets	100,017
Restricted for Telecommunications Right of Way	5,189
Unrestricted	<u>150,855</u>
<b>Total Net Assets</b>	<u><u>256,061</u></u>
<b>Total Liabilities and Net Assets</b>	<b><u><u>\$ 266,033</u></u></b>

The most significant portions of the Township's Net Assets are cash and investment in capital assets (e.g. land, buildings, equipment, and others) less any related debt that is outstanding that the Township used to acquire the asset. The Township has \$150,855 in unrestricted Net Assets. These assets represent resources that are available for appropriation, but are limited by Township policies regarding their use.

At the end of the current fiscal year, the Township is able to report positive balances in all categories of net assets, both for the government as a whole, as well as for its separate governmental activities.

The total net assets of the Township increased by \$9,559 in this fiscal year, which is an indicator that the Township experienced positive financial growth during the year. As a result, the Township ended the fiscal year in better condition than when the year began.

The following table illustrates and summarizes the results of the changes in the net assets for the Township. The condensed information was derived from the government-wide Statement of Activities.



ANTIOCH TOWNSHIP, WEXFORD COUNTY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR FISCAL YEAR ENDED MARCH 31, 2007

**Antioch Township**  
**Change in Net Assets**  
**for the Fiscal Year Ended March 31, 2007**

**Revenues**

**Program Revenues**

Charges for Services	\$ 2,765
Operating Grants and Contributions	1,786
Capital Grants and Contributions	6,792

**General Revenues**

Property Taxes	6,956
State Grants	55,319
Interest Earnings	4,693

<b>Total Revenues</b>	<b>78,311</b>
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**Expenses**

Legislative	5,167
General Government	45,593
Public Safety	9,261
Public Works	2,000
Other Functions	6,731

<b>Total Expenses</b>	<b>68,752</b>
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Change in Net Assets	9,559
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<u>NET ASSETS</u> - Beginning of Year	246,502
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<u>NET ASSETS</u> - End of Year	\$ 256,061
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**Governmental Activities**

During the fiscal year ended March 31, 2007, the Township's net assets increased by \$9,559 in the governmental funds. The majority of this increase represents the degree to which increases in ongoing revenues have outstripped similar increases in ongoing expenses. GASB 34 now requires the Township to maintain a record of annual depreciation expense and the accumulation of depreciation expense over time. The net increase in accumulated depreciation expense is a reduction in net assets.

The most significant portion of the revenue for all governmental activities of Antioch Township comes from state shared revenues.

State shared revenue is collected by the State of Michigan and distributed to local governments by formula allocation.

ANTIOCH TOWNSHIP, WEXFORD COUNTY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR FISCAL YEAR ENDED MARCH 31, 2007

The Township's governmental activities expenses are dominated by general governmental expenses. The Township spent \$45,593 in fiscal year 2007 on General Government expenses. Public Safety represented the next largest expense at \$9,261.

**Business-Type Activities**

The Township does not maintain any Business-Type Activities.

**Financial Analysis of the Government's Funds**

**Governmental Funds** The focus of Antioch Township's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Township's financing requirement. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

**General Fund** – The General Fund increased its fund balance by \$6,950 which brings the fund balance to \$156,044. Of the General Fund's fund balance, \$146,275 is unreserved while \$5,189 is reserved for right-of-way maintenance and \$4,580 is reserved for prepaid expenditures.

**Proprietary Fund** - The Township does not maintain any proprietary funds.

**General Fund Budgetary Highlights**

The Uniform Budget Act of the State of Michigan requires that the local Township Board approve the original budget for the upcoming fiscal year prior to its starting on April 1. Any amendments made to the operating budget must be approved by the Board prior to the close of the fiscal year on March 31.

**Revenues, Change from Original to Final Budget:**

	<u>General Fund</u>
Revenues	
Total Revenues Original Budget	\$ 67,410
Total Revenues Final Budget	<u>67,410</u>
Increase (Decrease) in Budgeted Revenues	<u><u>\$ 0</u></u>

**Expenditures, Change from Original to Final Budget:**

	<u>General Fund</u>
Expenditures	
Total Expenditures Original Budget	\$ 64,100
Total Expenditures Final Budget	<u>67,410</u>
Increase (Decrease) in Budgeted Expenditures	<u><u>\$ 3,310</u></u>

ANTIOCH TOWNSHIP, WEXFORD COUNTY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR FISCAL YEAR ENDED MARCH 31, 2007

**Capital Assets and Debt Administration**

**Capital Assets.** The Township's investment in capital assets for governmental activities as of March 31, 2007, amounted to \$100,017 net of accumulated depreciation. The total net increase in the Township's investment in capital assets for the current year was \$2,609.

Capital assets summarized below include any items purchased with a cost greater than \$5,000 individually and that have a useful life greater than one year. A summary of capital asset categories is illustrated below:

**Antioch Township**  
**Capital Assets as of March 31, 2007**

	<b>Governmental Activities</b>
Land and Land Improvements	\$ 12,000
Buildings	83,784
Equipment, Furniture and Fixtures	<u>20,669</u>
	116,453
Less Accumulated Depreciation	<u>(16,436)</u>
<b>Net Capital Assets</b>	<b><u>\$ 100,017</u></b>

Major capital asset events during the current fiscal year included the following:

- ❖ Received a voting machine through the Help America Vote Act.

**Long-Term Debt.** Antioch Township has no obligation for any long-term debt as of March 31, 2007.

**Economic Condition and Outlook**

The unemployment rate is still high in the State of Michigan and the State's shortfall in the budget means potential further reductions in state-shared revenues.

These factors were considered in preparing the Township's budgets for the 2007-08 fiscal year.

**Request for Information**

The financial report is designed to provide our citizens, customers, investors and creditors with a general overview of the Township's finances and to demonstrate the Township's accountability for the money it receives. If you have any questions about this report or need any additional information, contact Antioch Township at P.O. Box 690, Mesick, Michigan 49668.

ANTIOCH TOWNSHIP, WEXFORD COUNTY  
MESICK, MICHIGAN

STATEMENT OF NET ASSETS  
MARCH 31, 2007

	<u>GOVERNMENTAL ACTIVITIES</u>
<u>ASSETS</u>	
<u>CURRENT ASSETS</u>	
Cash	\$ 146,713
External Parties Receivable (Fiduciary Fund)	1,330
Due From Other Governments	13,393
Prepaid Expenses	<u>4,580</u>
Total Current Assets	<u>166,016</u>
<u>CAPITAL ASSETS</u>	
Land and Land Improvements	12,000
Buildings	83,784
Equipment, Furniture and Fixtures	<u>20,669</u>
	116,453
Less Accumulated Depreciation	<u>(16,436)</u>
Net Capital Assets	<u>100,017</u>
TOTAL ASSETS	<u><u>\$ 266,033</u></u>
 <u>LIABILITIES AND NET ASSETS</u>	
<u>LIABILITIES</u>	
Accounts Payable	\$ 8,642
Payroll Withholdings Payable	<u>1,330</u>
Total Liabilities	<u>9,972</u>
 <u>NET ASSETS</u>	
Invested in Capital Assets	100,017
Restricted for Telecommunications Right of Way	5,189
Unrestricted	<u>150,855</u>
Total Net Assets	<u>256,061</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 266,033</u></u>

The accompanying notes are an integral part of the financial statements.

ANTIOCH TOWNSHIP, WEXFORD COUNTY  
MESICK, MICHIGAN

STATEMENT OF ACTIVITIES  
YEAR ENDED MARCH 31, 2007

FUNCTIONS/PROGRAMS	EXPENSES	PROGRAM REVENUES			CHANGES IN
		CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	(EXPENSE) REVENUE
					AND CHANGES IN NET ASSETS
					GOVERNMENTAL ACTIVITIES
<u>PRIMARY GOVERNMENT</u>					
<u>GOVERNMENTAL ACTIVITIES</u>					
Legislative	\$ 5,167	\$ 0	\$ 0	\$ 0	\$ (5,167)
General Government	45,593	2,765	0	6,792	(36,036)
Public Safety	9,261	0	0	0	(9,261)
Public Works	2,000	0	1,786	0	(214)
Other Functions	6,731	0	0	0	(6,731)
Total Governmental Activities	\$ 68,752	\$ 2,765	\$ 1,786	\$ 6,792	(57,409)
<u>GENERAL REVENUES</u>					
Property Taxes					6,956
State Grants					55,319
Interest Earnings					4,693
Total General Revenues					66,968
Change in Net Assets					9,559
<u>NET ASSETS</u> - Beginning of Year					246,502
<u>NET ASSETS</u> - End of Year					\$ 256,061

The accompanying notes are an integral part of the financial statements.

ANTIOCH TOWNSHIP, WEXFORD COUNTY

MESICK, MICHIGAN

GOVERNMENTAL FUNDS

BALANCE SHEET

MARCH 31, 2007

	<u>GENERAL FUND</u>
<u>ASSETS</u>	
Cash	\$ 146,713
Due From Other Funds	1,330
Due From Other Governments	13,393
Prepaid Expenditures	<u>4,580</u>
 TOTAL ASSETS	 <u><u>\$ 166,016</u></u>
 <u>LIABILITIES AND FUND BALANCE</u>	
<u>LIABILITIES</u>	
Accounts Payable	\$ 8,642
Payroll Withholdings Payable	<u>1,330</u>
 Total Liabilities	 <u>9,972</u>
 <u>FUND BALANCE</u>	
Reserved For:	
Prepaid Expenditures	4,580
Telecommunications Right of Way	5,189
Unreserved	
Undesignated	<u>146,275</u>
 Total Fund Balance	 <u>156,044</u>
 TOTAL LIABILITIES AND FUND BALANCE	 <u><u>\$ 166,016</u></u>

The accompanying notes are an integral part of the financial statements.

ANTIOCH TOWNSHIP, WEXFORD COUNTY  
MESICK, MICHIGAN

GOVERNMENTAL FUNDS

RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT OF NET ASSETS  
MARCH 31, 2007

Total Fund Balances for Governmental Funds	\$ 156,044
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Amounts Reported for Governmental Activities in the  
Statement of Net Assets are Different Because:

Capital assets used in governmental activities are not  
financial resources and therefore are not reported in the funds.

Land and Land Improvements	\$ 12,000	
Buildings	83,784	
Equipment, Furniture and Fixtures	20,669	
Accumulated Depreciation	<u>(16,436)</u>	<u>100,017</u>

NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u><u>\$ 256,061</u></u>
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The accompanying notes are an integral part of the financial statements.

ANTIOCH TOWNSHIP, WEXFORD COUNTY

MESICK, MICHIGAN

GOVERNMENTAL FUNDS

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE

YEAR ENDED MARCH 31, 2007

	GENERAL FUND
<u>REVENUES</u>	
Taxes	\$ 6,956
Licenses and Permits	200
State Grants	63,897
Charges for Services	2,045
Interest and Rents	5,213
Total Revenues	78,311
<u>EXPENDITURES</u>	
Legislative	5,167
General Government	48,202
Public Safety	9,261
Public Works	2,000
Other Functions	6,731
Total Expenditures	71,361
Excess of Revenues over (under) Expenditures	6,950
<u>FUND BALANCE</u> - Beginning of Year	149,094
<u>FUND BALANCE</u> - End of Year	\$ 156,044

The accompanying notes are an integral part of the financial statements.



ANTIOCH TOWNSHIP, WEXFORD COUNTY  
MESICK, MICHIGAN

GOVERNMENTAL FUNDS

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES  
MARCH 31, 2007

Net change in Fund Balance - Total Governmental Funds	\$ 6,950
Amounts reported for governmental activities are different because:	
Governmental funds report capital outlays as expenditures in the statement of activities. These costs are allocated over their estimated useful lives as depreciation.	
Capital Assets	6,792
Depreciation Expense	<u>(4,183)</u>
CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u><u>\$ 9,559</u></u>

The accompanying notes are an integral part of the financial statements.

ANTIOCH TOWNSHIP, WEXFORD COUNTY  
MESICK, MICHIGAN

STATEMENT OF FIDUCIARY NET ASSETS  
MARCH 31, 2007

	<u>AGENCY FUNDS</u>
<u>ASSETS</u>	
Cash	\$ 1,503
	<hr/>
<u>LIABILITIES</u>	
Due to Other Funds	\$ 1,330
Due to Other Governments	173
	<hr/>
TOTAL LIABILITIES	\$ 1,503
	<hr/>

The accompanying notes are an integral part of the financial statements.

ANTIOCH TOWNSHIP, WEXFORD COUNTY  
MESICK, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2007

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Reporting Entity**

Antioch Township is a general law township located in Wexford County which operates under the direction of an elected township board. Under the criteria established by generally accepted accounting principles generally accepted in the United States of America, the Township has determined that there are no component units which should be included in its reporting entity.

**B. Government-wide and Fund Financial Statements**

GASB Statement No. 34 establishes standards for external financial reporting for state and local governments and requires that resources be classified for accounting and reporting purposes into the following three net asset categories.

*Invested in Capital assets, net of related debt* consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt that are attributed to the acquisition, construction, or improvement of those assets.

*Restricted net assets* result when constraints placed on net asset use are either externally imposed by creditors, grantors, and contributions, or imposed by law through constitutional provisions or enabling legislation.

*Unrestricted net assets* consist of net assets which do not meet the definition of the two preceding categories.

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the non-fiduciary activities of the government. For the most part, the effect of interfund activity has been removed from these statements.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

The government-wide focus is more on the sustainability of the Township as an entity and the change in aggregate financial position resulting from the activities of the fiscal period.

ANTIOCH TOWNSHIP, WEXFORD COUNTY  
MESICK, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2007

**C. Measurement Focus, Basis of Accounting and Basis of Presentation**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of timing of related cash flows.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, licenses and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Sales taxes collected and held by the state at year end on behalf of the government are also recognized as revenue. All other revenue items are considered to be measurable and available only when cash is received by the government.

The accounts of the Township are organized on the basis of funds. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds is maintained consistent with legal and managerial requirements.

Antioch Township reports the following major governmental funds:

The *General Fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Additionally Antioch Township reports the following fund types:

*Agency funds* are custodial in nature and do not present results of operations or have a measurement focus. Agency funds are accounted for using the accrual basis of accounting. These funds are used to account for assets that the Township holds for others in an agency capacity.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions involved. Amounts reported as program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from

ANTIOCH TOWNSHIP, WEXFORD COUNTY  
MESICK, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2007

goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

When both restricted and unrestricted resources are available for use, it is the Township's policy to use the restricted resources first, then unrestricted resources as they are needed.

**D. Assets, Liabilities and Equity**

***1. Deposits and Investments***

The Township's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from date of acquisition. The investment policy adopted by the Township Board authorized the Treasurer to invest in the following:

1. In bonds, securities, and other obligations of the United States or an agency or instrumentality of the United States.
2. In certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bank which is a member of the Federal Deposit Insurance Corporation or a savings and loan association which is a member of the Federal Savings and Loan Insurance Corporation or a credit union which is insured by the National Credit Union Administration, but only if the bank, savings and loan association, or credit union complies with subsection (2).
3. In commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services and which matures not more than 270 days after date of purchase.
4. Repurchase agreements consisting of instruments listed in (1) above.
5. In bankers' acceptances of United States Banks.
6. Obligations of the State of Michigan or any of its political subdivisions that at the time of purchase are rated as investment grade by not less than one standard rating service.
7. In mutual funds registered under the Investment Company Act of 1940 with the authority to purchase only investment vehicles that are legal for direct investment by local units of government in Michigan.

ANTIOCH TOWNSHIP, WEXFORD COUNTY  
MESICK, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2007

**2. *Receivables and Payables***

Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds."

Advances between funds are offset by a fund balance reserve account in applicable governmental funds to indicate they are not available for appropriation and are not expendable available financial resources.

**3. *Inventories and Prepaid Items***

Inventories are not significant and are expensed when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

**4. *Capital Assets***

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 (amount not rounded) and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Property, plant and equipment of the primary government, are depreciated using the straight line method over the following estimated useful lives:

<u>ASSETS</u>	<u>YEARS</u>
Buildings	40-60
Land and Land Improvements	15-30
Infrastructure	10-30
Equipment, Furniture and Fixtures	3-5

ANTIOCH TOWNSHIP, WEXFORD COUNTY  
MESICK, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2007

**5. *Long-term Obligations***

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net assets. Bond premiums and discounts, as well as issuance costs, are amortized over the life of the bonds using the effective interest method. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

**6. *Fund Equity***

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

**7. *Use of Estimates***

The presentation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

**A. *Budgetary Information***

The annual budget is adopted on the modified accrual basis in accordance with the requirements of Michigan Public Act 621 of 1978 "The Uniform Budgeting and Accounting Act". A public hearing is held to obtain taxpayer comments. Appropriations lapse at year end. Budget amounts are as originally adopted on March 23, 2006, or as amended by the Township Board from time to time throughout the year.

The appropriated budget is prepared by fund and activity. The Township Board exercises budgetary control over expenditures.

Encumbrance accounting, under which purchase orders, contracts and other commitments for expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is not employed by the Township because it is, at present, not considered necessary to assure effective budgetary control or to facilitate effective cash planning and control.

ANTIOCH TOWNSHIP, WEXFORD COUNTY  
MESICK, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2007

**B. Funds with expenditures in excess of appropriations were as follows:**

	<u>APPROPRIATIONS</u>		<u>EXPENDITURES</u>
General Fund			
Assessor	\$ 8,400	\$	8,442
Election	2,000		8,391
Building and Grounds	6,500		8,384
Public Works	0		2,000

**III. DETAILED NOTES ON ALL FUNDS**

**A. Deposits and Investments**

The Township's deposits are on deposit with Citizens Bank, Fifth Third Bank, and Honor State Bank.

*Investment rate risk.* The Township will minimize Interest Rate Risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by; structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities in the open market; and investing operating funds primarily in shorter-term securities, liquid asset funds, money market mutual funds, or similar investing pools and limiting the average maturity in accordance with the Township's cash requirement.

*Foreign currency risk.* The Township is not authorized to invest in investments, which have this type of risk.

*Credit risk.* The Township will minimize Custodial Credit Risk, which is the risk of loss due to the failure of the security issuer or backer, by; limiting investments to the types of securities listed in the Township's investment policy; and pre-qualifying the financial institutions, brokers/dealer, intermediaries and advisors with which the Township will do business in accordance with the Township's investment policy.

*Concentration of credit risk.* The Township will minimize Concentration of Credit Risk, which is the risk of loss attributed to the magnitude of the Township's investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized.

*Custodial credit risk – deposits.* In the case of deposits, this is the risk that in the event of a bank failure, the government's deposits may not be returned to it. As of March 31, 2007, none of the government's bank balance of \$151,052 was exposed to custodial credit risk because none of it was uninsured and uncollateralized.

*Custodial credit risk – investments.* For an investment, this is the risk that, in the event of the failure of the counterparty, the government will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Township's investments are categorized to



ANTIOCH TOWNSHIP, WEXFORD COUNTY  
MESICK, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2007

give an indication of the level of risk assumed by the Township at year end. Category 1 includes investments that are insured or registered, or securities held by the Township or the Township's agent in the Township's name. Category 2 includes investments that are uninsured and unregistered with securities held by the counterparty's trust department or its agent in the Township's name. Category 3 includes investments that are uninsured and unregistered, with the securities held by the counterparty, or by its trust department or its agent but not in the Township's name. At year end, the Township held no investments.

**B. Receivables**

Receivables as of year end for the government's individual major fund are as follows:

	<u>General</u>
Receivables	
Due from	
Other Governments	<u>\$ 13,393</u>

The allowance for doubtful accounts is not considered to be material for disclosure. As a result, its uncollectible accounts are virtually nil.

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental fund also defer revenue recognition in connection with resources that have been received, but not yet earned.

**C. Capital Assets**

	Beginning Balance	Increases	Decreases	Ending Balance
<u>Governmental activities:</u>				
Capital assets, not being depreciated				
Land	\$ 12,000	\$ 0	\$ 0	\$ 12,000
Capital assets, being depreciated				
Buildings	83,784	0	0	83,784
Equipment, Furniture and Fixtures	13,877	6,792	0	20,669
Total capital assets, being depreciated	97,661	6,792	0	104,453
Less accumulated depreciation for:				
Buildings	1,676	1,676	0	3,352
Equipment, Furniture and Fixtures	10,577	2,507	0	13,084
Total accumulated depreciation	12,253	4,183	0	16,436
Total capital assets, being depreciated, net	85,408	2,609	0	88,017
Governmental activities capital assets, net	\$ 97,408	\$ 2,609	\$ 0	\$ 100,017

ANTIOCH TOWNSHIP, WEXFORD COUNTY  
MESICK, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2007

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:

General Government \$ 4,183

Construction Commitments:

The government has no outstanding construction commitments as of March 31, 2007.

**D. Interfund Receivables and Payables**

Individual fund interfund receivable and payable balances at March 31, 2007, were:

<u>Fund</u>	<u>INTERFUND RECEIVABLES</u>	<u>INTERFUND PAYABLES</u>
General Fund	\$ 1,330	\$ 0
Current Tax Fund	0	1,330
Total Primary Government	<u>\$ 1,330</u>	<u>\$ 1,330</u>

All remaining balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made. All are expected to be resolved within one year.

As of March 31, 2007 there were no interfund transfers.

Transfers are used (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

**E. Long-Term Debt**

At March 31, 2007, the Township was not obligated for any long-term debt.

ANTIOCH TOWNSHIP, WEXFORD COUNTY  
MESICK, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2007

**F. Fund Balance Reserves**

In order to comply with generally accepted accounting principles and meet certain legal requirements, the Township has reserved fund balances. These reserves are detailed in the following schedule:

FUND BALANCE/NET ASSETS

Reserved

General Fund

Telecommunications Right of Way \$ 5,189

Prepaid Expenditures 4,580

TOTAL FUND BALANCE RESERVES \$ 9,769

**IV. OTHER INFORMATION**

**A. Risk Management**

The Township is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. The Township participates in a pool of municipalities within the State of Michigan for self-insuring property and casualty, crime, general liability, workers compensation insurance and errors and omissions insurance. The Township pays annual premiums to the pool for the respective insurance coverage. In the event the pool's total claims and expenses for a policy year exceed the total normal annual premiums for said years, all members of the specific pool's policy year may be subject to special assessments to make up the deficiency. The Township has not been informed of any special assessments being required for the current year or the three prior years.

The Township continues to carry insurance for other risks of loss, including fidelity bonds.

**B. Property Taxes**

The Township levied 1% administration fee permitted by statute on all 2006 property taxes. Such fees may be used only for property tax administration expenses such as assessing, collecting and the review and appeal process. Fee collection totaled \$6,714 for the year.

ANTIOCH TOWNSHIP, WEXFORD COUNTY  
MESICK, MICHIGAN  
REQUIRED SUPPLEMENTARY INFORMATION  
BUDGETARY COMPARISON SCHEDULE  
MAJOR GOVERNMENTAL FUNDS

YEAR ENDED MARCH 31, 2007

	GENERAL FUND		
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL
<u>REVENUES</u>			
Taxes	\$ 4,500	\$ 4,500	\$ 6,956
Licenses and Permits	500	500	200
State Grants	56,050	56,050	63,897
Charges for Services	0	0	2,045
Interest and Rents	3,860	3,860	5,213
Other Revenues	2,500	2,500	0
Total Revenues	67,410	67,410	78,311
<u>EXPENDITURES</u>			
Legislative	5,600	5,400	5,167
General Government			
Supervisor	4,700	4,800	4,400
Assessor	8,300	8,400	8,442
Clerk	5,000	5,200	5,119
Board of Review	600	600	494
Treasurer	13,500	12,100	7,981
Election	2,000	2,000	8,391
Building and Grounds	3,000	6,500	8,384
Cemetery	4,500	5,700	4,991
Public Safety	9,500	9,500	9,261
Public Works	0	0	2,000
Other Functions	7,400	7,210	6,731
Total Expenditures	64,100	67,410	71,361
Excess of Revenues over (under) Expenditures	3,310	0	6,950
<u>FUND BALANCE</u> - Beginning of Year	0	0	149,094
<u>FUND BALANCE</u> - End of Year	\$ 3,310	\$ 0	\$ 156,044

ANTIOCH TOWNSHIP, WEXFORD COUNTY  
MESICK, MICHIGAN

CURRENT TAX COLLECTION FUND

STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
YEAR ENDED MARCH 31, 2007

ASSETS

	BALANCE				BALANCE	
	4/1/2006		ADDITIONS	DELETIONS	3/31/2007	
Cash	\$ 1,442	\$ 608,489	\$ 608,428	\$ 1,503		

LIABILITIES

Due to Other Funds	\$ 1,269	\$ 8,935	\$ 8,874	\$ 1,330
Due to Other Organizations and Individuals	0	1,807	1,807	0
Due to Other Governments	173	597,747	597,747	173
Total Liabilities	\$ 1,442	\$ 608,489	\$ 608,428	\$ 1,503

# *Baird, Cotter and Bishop, P.C.*

## **CERTIFIED PUBLIC ACCOUNTANTS**

134 WEST HARRIS STREET CADILLAC, MICHIGAN 49601  
PHONE: 231-775-9789 FAX: 231-775-9749  
www.bcbcpa.com

December 28, 2007

### LETTER OF COMMENTS AND RECOMMENDATIONS

To the Township Board  
Antioch Township  
Wexford County  
Mesick, Michigan

As a result of our audit of the financial statements of Antioch Township for the year ended March 31, 2007, we would like to take this opportunity to comment on the following items relative to the management and accounting procedures of the Township.

#### Budgeting

Pertaining to the Township's compliance with Public Act 621 of 1978, the following items are noted:

All budgets should include actual prior year amounts as well as an estimate of current year results.

Expenditures in various functions of the General Fund, as well as the General Fund as a whole, exceeded appropriations. The Township Board is responsible for amending the budget during the year to allow for expenditures in excess of original appropriations, or to reduce appropriations, if it appears the actual expenditures will be much less than originally appropriated.

#### Telecommunications Right-of-Way (Metro Act)

Currently the Township receives funds from the State of Michigan related to the Metro Act. Provisions of this Act require the Township to expend these funds on specific expenditures related to road right-of-ways. As of March 31, 2007, the Township had \$5,189 reserved for these types of expenditures. A list of allowable expenditures is available at the State of Michigan website.

#### General Recordkeeping

The accounting records for the year ended March 31, 2007, were found to be in good order and in compliance with the State's uniform accounting system. We commend the Clerk and Treasurer for a job well done and encourage them to keep up the fine effort.

We would like to thank the Board for its confidence in our firm by awarding us the audit assignment of the Township. We would also like to thank the Clerk and Treasurer for their cooperation in helping us fulfill the audit of the Township records.

If you have any questions relative to the above comments and recommendations or other areas of your annual accounting, please feel free to call on us.

BAIRD, COTTER AND BISHOP, P.C.

*Baird, Cotter & Bishop, P.C.*

# *Baird, Cotter and Bishop, P.C.*

## **CERTIFIED PUBLIC ACCOUNTANTS**

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[www.bcbcpa.com](http://www.bcbcpa.com)

December 28, 2007

To the Township Board  
Antioch Township  
Wexford County  
Mesick, Michigan

In planning and performing our audit of the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Antioch Township, Wexford County, Mesick, Michigan as of and for the year ended March 31, 2007, in accordance with auditing standards generally accepted in the United States of America, we considered Antioch Township's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the governmental unit's internal control. Accordingly we do not express an opinion on the effectiveness of the governmental unit's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies and other deficiencies that we consider to be material weaknesses.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the following deficiencies to be significant deficiencies in internal control:

### 1) Lack of Segregation of Duties

The relatively small number of people involved in the accounting functions of the Township and the design of the accounting system as developed by the state make it difficult to adequately segregate duties. Segregation of accounting duties is a fundamental method of strengthening internal control. However, in deciding what internal control procedures should be implemented, the Board must consider the costs of implementing them and weigh those costs against the benefits to be derived from their implementation.



2) Lack of Adequate Controls to Produce Full Disclosure GAAP Basis Financial Statements.

All Michigan governments are required to prepare financial statements in accordance with generally accepted accounting principals (GAAP). This is a responsibility of the government's management. The preparation of financial statements in accordance with GAAP requires internal controls over both (1) recording, processing, and summarizing accounting data (i.e., maintaining internal books and records), and (2) reporting government-wide and fund financial statements, including the related footnotes (i.e., external financial reporting).

As is the case with many smaller and medium-sized entities, the government has historically relied on its independent external auditors to assist in the preparation of the government-wide financial statements and footnotes as part of its external financial reporting process. Accordingly, the government's ability to prepare financial statements in accordance with GAAP is based, in part, on its reliance on its *external* auditors, who cannot by definition be considered a part of the government's *internal* controls.

This condition was caused by the government's decision that it is more cost effective to outsource the preparation of its annual financial statements to the auditors than to incur the time and expense of obtaining the necessary training and expertise required for the government to perform this task internally. As a result of this condition, the government lacks internal controls over the preparation of financial statements in accordance with GAAP, and instead relies, in part, on its external auditors for assistance with this task.

The government has evaluated the cost vs. benefit of establishing internal controls over the preparation of financial statements in accordance with GAAP, and determined that it is in the best interests of the government to outsource this task to its external auditors, and to carefully review the draft financial statements and notes prior to approving them and accepting responsibility for their content and presentation.

A material weakness is a significant deficiency, or a combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control. We believe that the deficiencies described in (1) above (Lack of Segregation of Duties) constitute a material weakness.

This communication is intended solely for the information and use of the Board and others within the organization. This restriction is not intended to limit the distribution of the report, which is a matter of public record.

BAIRD, COTTER AND BISHOP, P. C.

*Baird, Cotter & Bishop, P.C.*